C1200-4A

MAY 1991
SECTION ONE
OF TWO SECTIONS

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

HOW LOUSY TEAMS FILL THE SEATS

CULTURE SHOCK
CAN JAPANESE MANAGERS MOTIVATE AMERICAN WORKERS?

INCENTIVE STRATEGY
LET YOUR SALESPEOPLE DESIGN THE PROGRAM

KIDDING AROUND
THE MARKETING MAGIC OF KIDS' CLUBS

SECTION 2
HOW TO RUN AN INCENTIVE PROGRAM

A BILL PUBLICATION

87TH YEAR, VOL. 165, NO. 5 MAY 1991

INCENTIVE

20
Bringing in the fans

War and quality **34**

97
The power of empowerment

DEPARTMENTS

FROM THE EDITOR
4
OPINION
6
LETTERS
8
CURRENTS
10
SHOW SCHEDULE
16
IMRA GOLD KEY AWARDS
62
MARKETPLACE
128
RESOURCES
132

MERCHANDISE

TOOLS
100
NINTENDO CHAMPIONSHIPS
103

INCENTIVE TRAVEL

SOUTH PACIFIC
109
CALIFORNIA
118

SPECIAL SUPPLEMENT
LAS VEGAS
75

SECTION 2
HOW TO RUN AN INCENTIVE PROGRAM

Cover illustration by Dennis Dittrich

Incentive covers all the ways companies motivate consumers to buy, salespeople to sell and employees to work more effectively, with a special emphasis on incentives, promotions and training.

COVER STORY

HOW LOUSY TEAMS FILL THE SEATS
When the losses pile up and the boos waft from the stands, it's time for incentive marketers to take the field.
20

FEATURE

WHY WE WON THE WAR
One general's focus on quality improvement may have ultimately helped the U.S. forces in the Persian Gulf.
34

INCENTIVE MARKETING

LITTLE PEOPLE, BIG MARKET
How kids' clubs mix marketing strategies with psychology and enticing awards to reach young buyers.
45

FACTS SURVEY: CONSUMER INCENTIVES
Things are looking up, say consumer marketers: Projections for spending and sales gains are both on the rise.
50

WHAT'S BEHIND 'THE WORLD'S BIGGEST OFFER'?
One airline is hoping that a $100 million promotion will get wary travelers back in the skies.
56

EMPLOYEE MOTIVATION

WHEN CULTURES CLASH
The convergence of Eastern management and Western workers produces motivational problems—and solutions.
65

TECHNIQUES: GETTING SALESPEOPLE TO DESIGN THE INCENTIVE
Experts advise involving the sales force from the very start.
72

THE POWER OF EMPOWERMENT
When management trusts workers to make important decisions, employee morale and customer satisfaction can soar.
97

Editor/Co-Publisher Bruce Bolger
Executive Editor Todd J. Englander
Senior Editor Regina Eisman
Senior Editor Erika Penzer
Associate Editor Cara M. Tuzzolino
Art Director Allen Schlossman
Research Director George Meredith

Co-Publisher Peter V. Edmunds
Publisher Emeritus Murray B. Elman

EAST COAST
633 Third Ave.
New York, NY 10017
(212) 986-4800
Fax (212) 867-4395
Sales Manager Donald W. Campbell
James M. Kilmetis

MIDWEST
180 N. Michigan Ave., #1600
Chicago, IL 60601
(312) 782-1266
Fax (312) 782-5282
J.C. Mills, Jr.

WEST COAST
10540 Talbert Ave.
East Tower Ste. 150
Fountain Valley, CA 92708
(714) 964-7390
Fax (714) 964-6990
Peter V. Edmunds

CANADA
Choice Marketing
4899 53rd St., #113
Ladner, BC V4K 2Z3
(604) 654-6424
Fax (604) 737-8850

CENTRAL EUROPE
Media & Tourism Marketing
P.O. Box 76
8053 Zurich, Switzerland
(01) 55-55-56
Fax (01) 55-86-09
Rene Stein

PACIFIC
Headway Media Services Ltd.
Rm. 2101, Causeway Bay Ctr.
15-23 Sugar St.
Hong Kong
(0852) 576-8002
Adrian Batten

Reed Asian Publishing Pte. Ltd.
10 Anson Road, #32-02
Int'l. Plaza, Singapore, 0207
(65) 226-3188
Selin Koh-Forsman

MEXICO
Globe Media, Inc.
3301 Barham Blvd., #200
Los Angeles, CA 90068
(213) 850-8339
Fax (213) 851-1506
George Mackin

Production Manager Joann DePalma
Production Assistant Wendy Greenstein
Sales & Marketing Administrators Carmen Lamboy
Patricia Terriberry
Karen Yos (Chicago)
Lisa Riotte (California)
Business Manager Charles Indich
Circulation Manager Walt Heeney (Akron)
Asst. Circ. Manager Pat Robinson
(216) 867-4401

Bill Communications OFFICERS: John Wickersham, President; Irwin Levine, Treasurer; Vice Presidents: Jeffrey Berlind, Mary Jean Madigan, Howard Neibart, Russell Piersons, Malcolm Riley, Stanley Romaine, Greg Smith, Edward Spar, Charles Wrye; Deborah Seavey, Director of Human Resources; Thomas Tzoucalis, Director of Manufacturing; John Hartman, Chairman Emeritus.

BPA ABP

FROM THE EDITOR

ANTI-INCENTIVE?

BY BRUCE BOLGER

Some people have asked me why a magazine called **Incentive** would run a guest editorial opposing the use of incentives. They were referring to our April guest editorial ("Why Incentives Don't Work," page 6) by management consultant Philip B. Crosby.

While we're quite willing to run opinions contrary to our own, we happen to agree with most of what Crosby has to say. Essentially, he reviles quick-fix incentive programs that fail to address fundamental marketing and management problems. How could anyone disagree?

That simple premise helps explain why **Incentive** so often reports on efforts to improve the quality of products and services and the quality of the workplace. Without an emphasis on overall quality, incentives skirt the real issues involved with long-term sales success.

What the guest editorial doesn't mention is the role incentives can play when the quality process *is* in place. Incentives help commit employees to company objectives, create an atmosphere of excitement and fun, and provide concrete proof that management appreciates accomplishment.

YOU HEARD IT HERE FIRST...

Did you see the recent lead story on "Value Pricing" in The Wall Street Journal? We're proud to remind readers that they saw it first in **Incentive**'s September 1990 cover story, "Demise of the Discount," and also in this column. The Wall Street Journal article, like the articles earlier in **Incentive**, identified a new pricing strategy employed by major companies that focuses on providing year-round value rather than cyclical, predictable markups and markdowns.

Savvy manufacturers who give customers what they want at the lowest possible price *all the time* don't have much need to discount; customers know the value of the new Macintosh Classic, for instance, without needing an additional discount to get their attention.

When value-pricers need to boost sales of specific products or of their overall line during particular periods, they'll discover that added-value offers can stimulate demand and get dealers and their salespeople more involved—without communicating to the consumer the availability of seasonal price cuts, a long-term danger to already slim profit margins.

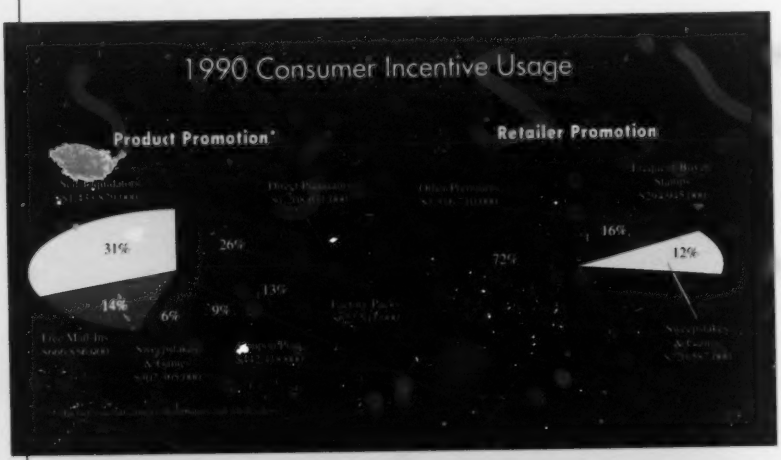
When first reporting on this emerging strategy last year, we made one key mistake: We didn't assign a name to the trend. For that, we credit The Wall Street Journal. We expect to hear a lot more about "value pricing."

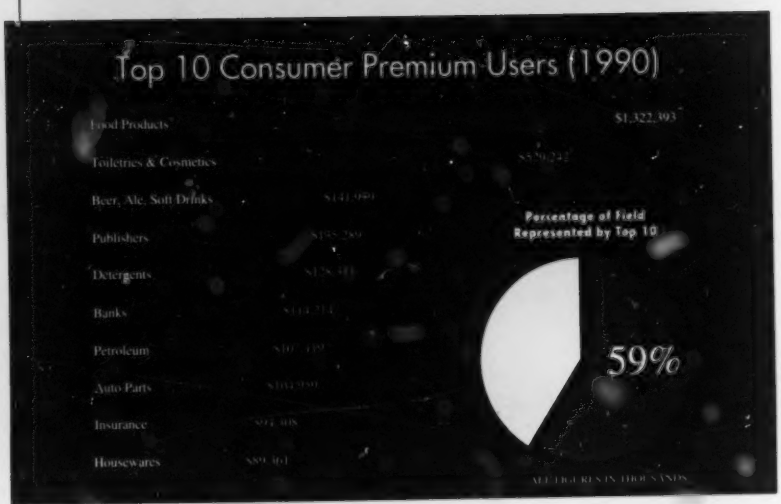
Bruce Bolger

Incentive/Managing and Marketing Through Motivation® (ISSN 0019-3364; USPS 799-880) is published monthly by Bill Communications, Inc., 341 White Pond Dr., Akron, OH 44320. Corporate and editorial headquarters: 633 Third Ave., New York, NY 10017. Subscriptions: US—$48, Canada/Foreign—$75, single copies—$5. *January FACTS issue—$15.* *Copyright 1990 by Bill Communications, Inc., all rights reserved.* Postmaster: Send change of address to Incentive/Managing and Marketing Through Motivation, Box 3599, Akron, OH 44309-3599. fax (216) 867-0019. Second Class postage paid at Akron, OH, and at additional mailing offices.

FACTS SURVEY
CONSUMER INCENTIVES

Optimism amid the numbers: Spending projections rise, and so do expected sales gains.





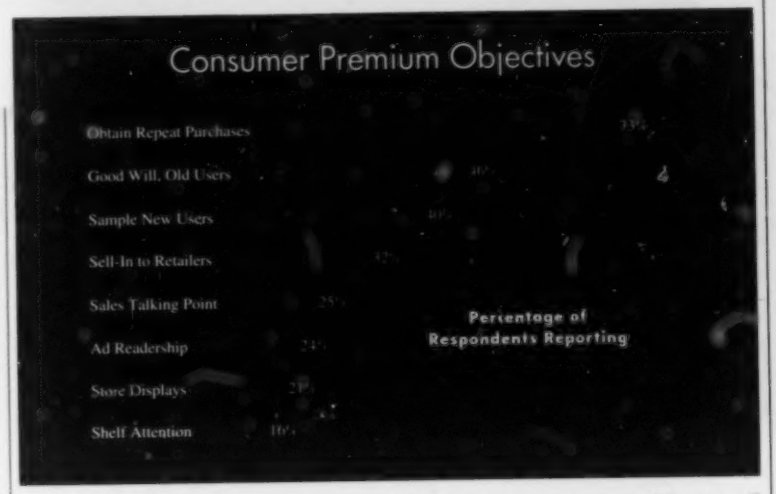
Can incentives prompt consumers to spend more during a recession? Many marketers seem to be betting on it, if their present premium budgets are an indicator.

In **Incentive**'s survey of consumer incentive users, marketers indicate a 7.3 percent upswing in spending, an acceleration over last year's 6.6 percent pace.

The numbers also indicate that executives expect sales results from incentive programs to be a bit better than those realized in last year's consumer promotions—an average of 18.3 percent in projected increased volume, compared to the 18.1 percent estimated by a similar-sized group a year ago.

In other survey findings, last year appeared to be a healthy one for premium use in the supermarket—the scene of some of the heaviest promotional activity. The three top incentive-using industries—food products, toiletries and cosmetics, and beer, ale and soft drinks—performed well above the industry level of 6.6 percent. Food packers increased spending by 10.9 percent, toiletries firms by 13.3 percent and beverage companies by 7.6 percent. Another supermarket-distributed line—paper products—advanced spending by 10.2 percent.

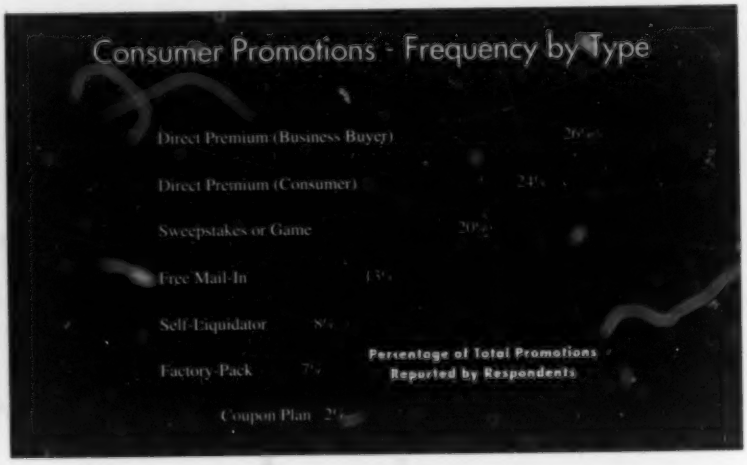
The only other substantial gain



was the 14.4 percent registered by publishers, printers and broadcasters, who rank fourth in the top-ten incentive-user list. The top four industries, in fact, accounted for 46 percent of all consumer promotion spending last year. The fifth-place industry, detergents and cleansers (also big in supermarkets) grew less, but posted a fairly respectable 6.7 percent increase. Most other industries lagged in 1990, displaying negative figures or spending growth that was lower than the inflation rate.

Supermarkets, meanwhile, enhanced their promotional activity by spending an estimated 9.6 percent more for incentive promotions, even though retailers in most other industries kept rather quiet.

Overall, 47 percent of survey respondents say they are spending more for consumer incentives this year, while only 5 percent are cutting back. The remaining 48 percent plan the same expenditures as in 1990.



The average company in this group will spend an estimated $721,000 for consumer premiums this year while conducting five promotions. On average, those promotions will take on at least two different forms, with direct-premium usage dominating: 64 percent of companies plan to offer direct premiums to consumers and 58 percent to business customers.

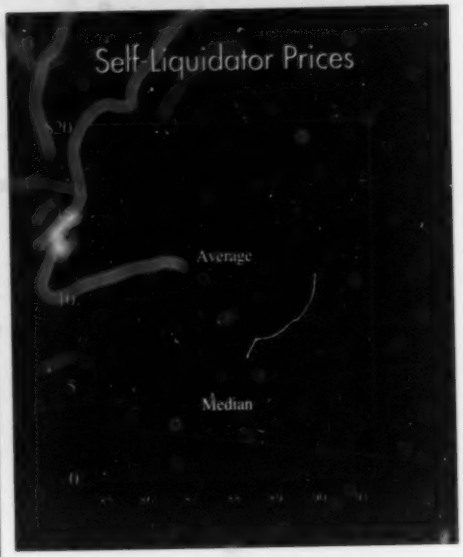
Mail-in promotions, while generally using more dollars, are favored by fewer companies: 28 percent say they will offer self-liquidators and 26 percent free mail-ins. Sweepstakes rank high in popularity, chosen by 46 percent of respondents. About 20 percent say they pursue premium coupon or frequent-buyer plans.

Whatever their mode of promotion, users mention "frequent buyers" as their objective of choice: 73 percent say they want repeat purchases. Continuity of purchases is also an implicit goal in the second choice, "good will of old users," listed by 46 percent. The third most popular objective is "sample new users," chosen by 40 percent. (The eight objectives listed in the chart above total more than 100 percent because respondents report an average of 2.8 promotion goals.)

These marketers select almost as wide a variety of media to promote their offers to consumers. Direct-mail remains the first choice by a healthy margin, with 60 percent using it. Newspapers and point-of-purchase advertising are next, favored equally by 37 percent each. TV and radio are used by 30 percent; trade publications, 29 percent; consumer magazines, 23 percent; free-standing inserts, 22 percent; and advertising on product packages, 21 percent.

Retailer support. Users of consumer incentives report improved performance of one medium—point-of-purchase—by offering consumer premiums. Marketers report that on average, normal display usage by retailers during a non-promotion period hits 47 percent. By adding a consumer offer, however, they say that on average, trade usage of point-of-purchase materials soars by 34 percent. Thus, an advertiser accustomed to seeing 47 percent of his displays on retailers' floors can expect to have about 63 percent go up when the piece advertises a consumer premium. Indeed, many consumer-goods marketers consider this gain a major benefit of the incentive offer. With this in mind, getting displays used in stores is listed as an important objective by 21 percent of survey respondents.

Some marketers offer dealers particular incentives to stimulate support, but the survey shows they're in the minority—about a third. In addition, this year's survey group is not as expansive in its dealer-spending projections as in its consumer spending: The group predicts only a



4.8 percent increase over last year's outlays. More, however, plan to offer sales incentives. In this survey, about 75 percent report plans for sales-force incentive programs, with a 7.4 percent average boost in their budgets.

Obviously, how incentive budgets are applied varies considerably from company to company. But the averages emerging from the survey give a good portrait of users' approaches. For a direct premium program, for example, executives report their merchandise costs averaging 15 percent of the required consumer purchase. This means that a consumer purchase of $10 would enable a free incentive offer costing the marketer about $1.50.

When the free offer is a mail-in rather than direct premium with purchase, the budget formula waxes a bit more liberal: Among these marketers, an average incentive costs 20 percent. That's down from 22 percent in last year's survey and 23 percent in 1989.

Along with a free mail-in, of course, the marketer has the option of asking the customer to accumulate several proofs of purchase to reach the required purchase level. In this year's survey, users say they ask for an average of five proofs. Simple arithmetic, then, dictates that for every five proofs of purchase amassed by a consumer for a product that costs $1.89, the marketer can afford a $1.89 cost for the premium. This also presumes that the advertiser collects a cash payment for postage and handling, a growing practice.

The survey did not cover such payments for so-called "free" offers, but it did ask a similar question concerning self-liquidating premium offers. In that case, users said they do add an extra shipping charge in 65 percent of cases—a much higher incidence than in previous surveys. Last year, only 36 percent said they added such charges.

Concerning self-liquidators, this survey reveals that users actually liquidate only 67 percent of the cost in the consumer price. This contravenes the original concept of the self-

MELIÁ. THE EUROPEAN WAY TO MEET IN MEXICO.
Now you can enjoy Europe's top hotels on Mexico's top beaches! We'd like to introduce you to Melia Hotels–five-star luxury resorts on the irresistible white-sand beaches of Cancun, Puerto Vallarta and Los Cabos in Baja California. All offer the continental style and gracious service of Europe's finest hotels. And each is designed to accommodate your group with comprehensive meeting facilities, generous dimensions of flexible space and impeccable staff assistance. You'll find Melia's way of meeting in Mexico is not only distinctively European–it's very close to meeting perfection.
TO ARRANGE A COMPLIMENTARY SITE INSPECTION or for more information, please call one of our Meeting Specialists at 1-800-336-3542.
Grupo Sol

Circle No. 124 on Buyer Action Card

liquidator, that the consumer payment covered the entire cost of merchandise *and* handling and shipping. But that was 50 years ago, when postage and handling costs were far lower in relation to the merchandise cost of most items.

Self-liquidator asking prices have dropped among these users. Last year's offers averaged $18.80; the present figure is just $14.57. The median is also lower—$6.95—down $2 from last year's figure. Despite the seeming conservatism in their actual practices, these users have raised the ceiling on self-liquidators: The survey questionnaire asked, "At what price point do you believe consumer response drops significantly?"

This year the average response is $68.15, compared with only $54.22 a year ago.

Selecting premium items has never been an exact science. And, despite many years of users' (and their agencies') efforts at testing promotion ideas, the practice still remains somewhat mysterious. Forty-five percent of respondents say they do attempt to test items for their mail-in offers, while 49 percent run tests on direct premiums. Among those who do test the items they use, personal interviews are the favored method, chosen by 48 percent. About 36 percent test by mailing offers to groups of consumers. Twenty-nine percent prefer consumer panels, and 27 percent mail a questionnaire or ballot with several items offered. Store panel tests—perhaps the closest to simulating true promotion conditions—are difficult and costly, and thus are used by only 14 percent of these executives. Another 9 percent employ split-run newspaper ads and 7 percent use bounce-back offers.

Response Rates

Median number of responses per 1,000 advertising exposures for mail-in offers

	PRINT	BROADCAST	DISPLAY	PACKAGE
Self-liquidator under $10	10	6	10	10
Self-liquidator $10 or more	8	6	10	10
Free mail-in offer	17	10	13	14

Respondents report more reliable results than most survey groups in recent years. They claim an accuracy rate of plus or minus 17 percent in predicting the response to an offer. Last year's survey average was 19 percent, and previous years' results have been even less impressive (22 and 26 percent in 1988 and 1989 respectively). The trend that seems to be surfacing: Consumer premium users are learning how to take at least some of the guesswork out of selecting promotional items.

Those who give it their all deserve it all. An exotic culture without having to go the extra miles. Breathtaking beaches. Golf and tennis. Shopping at duty-free prices. And captivating nightlife. Plus, the royal treatment inherent in our British heritage.

For assistance in planning and promoting travel incentives, send us this coupon or call a Bahamas Incentive Specialist at 1-800-346-7077. We'll not only do our best, we'll do better.

Mail to: The Bahamas, Meeting and Incentive Division, 255 Alhambra Circle, Suite 415, Coral Gables, FL 33134

Name *Firm*

Address

City *State* *Zip*

Telephone *Next Open Meeting Date*

It's Better In The Bahamas.

Circle No. 112 on Buyer Action Card

1991 The Bahamas Ministry of Tourism